

44-2 *HISTORY OF MODERN
BANKS OF ISSUE.*

two per cent, bonds were to be purchased for the guaranty fund, in order to leave the field clear for the issue of securities at a rate of interest better adapted to keep them at par in the open market in case of war or other emergency. Provision was also made for the gradual retirement of United States notes from the surplus earnings of the guaranty fund.

The bill of Senator Aldrich passed the Senate late in March, but found so little favor with the House Committee on Banking, to which it was referred, that it was not reported back to the House. Republican leaders in that body felt that some measure should be passed which would afford a safeguard against another suspension of currency payments in time of stress by providing for a simple form of emergency circulation. So strong, however, was the opposition among commercial bodies to the perpetuation of the system of basing note issues upon long-term obligations, instead of upon the current business of the country, that a bill was introduced in the House by Representative Vreeland of New York seeking to meet this objection in part. This bill provided for the creation of associations in clearing house districts, of which the member banks were to have the privilege of issuing notes upon commercial paper deposited with a committee of the association.

The Vreeland bill was preferred by many members to the Fowler bill because it did not involve a radical departure from the existing system. It was agreed upon by a Republican conference, after various amendments, on May 1, 1908, by a vote of 128 to 16, and on May 14th passed the House by a vote of 184 to 145. All the Democrats voting and fifteen Republicans made up the minority.¹ The Senate on the next day substituted a modified draft of the Aldrich bill and asked a conference. It was impossible at first to secure agreement, but the necessity was so strongly felt of adopting some measure which would leave the impression upon the country that safeguards had been taken against another suspension of currency payments, that a substitute bill was finally presented only two weeks before the close of the

¹ *New York Journal of Commerce*, May 15, 1908.